

LAC

April 1999

A Review of South Carolina's Management of State-Owned Land



Members of the General Assembly requested that we conduct a study of the state's system for managing real property. Real property is defined as land and buildings. South Carolina state government owns almost one million acres of land and 8,415 buildings.

Owner	Acres
State Agencies	346,297
Higher Education	36,426
Transportation Rights-of-Way	393,223
Authorities	213,889
TOTAL	989,835

We reviewed current statewide procedures for inventorying, acquiring, managing, and disposing of state government real property. We also reviewed land owned by six state agencies:

State Budget and Control Board (B&CB)
 University of South Carolina (USC)
 Department of Mental Health (DMH)
 SC Department of Transportation (SCDOT)
 SC Forestry Commission (SCFC)
 Department of Natural Resources (DNR)

This audit was conducted in accordance with generally accepted government auditing standards.

REPORT FINDINGS

Overall Recommendation

Our report concludes that the state lacks an overall system to manage real property as an asset from a statewide, best use perspective (*Chapter 2* of the full report).

A real property management system should treat land and buildings as strategic assets to be managed proactively. Asset management can increase the value of the state's resources. We found that the state of South Carolina has in place only some of the elements needed to manage real property.

The first step toward a real property management system should be to establish where decision-making authority will reside — with the individual agencies or with a more central authority such as a land-use committee or office. Legislative action may be needed to establish a statewide system and to strengthen and centralize specific management functions.

Statewide Land Inventory

Until work on a statewide inventory is completed, the precise size and use of the state's real property assets are unknown.

- ☐ Prior to the start of our review, staff at the Office of General Services of the Budget and Control Board were compiling an inventory of state-owned land. Compiling a statewide land inventory and ensuring its accuracy have been complicated by several factors.
- ☐ There is no central repository for deeds to state-owned lands. In order to compile the inventory, B&CB staff had to research records in 46 counties.
- ☐ Agencies themselves do not have an accurate account of their land holdings. Some agencies had lost track of whole parcels of land.

Titling State Real Property

We found that state-owned property was titled in more than 185 variations of agency names. The lack of a standardized format for recording titles has created great difficulty in the compilation of a statewide inventory. Some of the agency names were no longer in use, such as "The Department of Mental Retardation," or "The South Carolina Alcoholic Board."

Real Property Planning and Acquisition

State government in South Carolina does not have a master land plan to guide the acquisition and use of state property.

Individual agencies determine when and where property is to be acquired, with limited oversight by the state. A more coordinated approach to real property planning could help agencies make better use of the lands they own, and could also address future land and building needs based on agency mission and such factors as client population.

Individual agencies have entered into agreements to lease state land for private-sector communication towers. There is no statewide policy in this area, and it is questionable whether leasing agency lands for private communication towers is an appropriate use of state real property.

The B&CB and the Joint Bond Review Committee approve all land purchases. We found that agencies have at least minimal justification for the need to acquire new property. However, we found some areas where the current process needs improvement.

- ❑ Deferred maintenance on state buildings, estimated to be more than \$350 million statewide in 1994, is not provided for even as state agencies continue to acquire more land and buildings.
- ❑ Agencies do not always send a copy of the deed to the B&CB, so the Board may not know whether land was actually purchased as approved.

Surplus Property

South Carolina has not implemented a comprehensive system to identify, evaluate, and dispose of unused or unneeded land (Chapter 3 of the full report).

There is little or no external or internal review to determine if lands could be declared surplus. Agencies presume they will hold on to land indefinitely and do not look for better alternatives.

The B&CB relies on individual state agencies to declare property surplus. However, relying on individual agencies to identify surplus property has not been successful. For example, South Carolina Code §1-11-58(1), which took effect in 1997, requires each state agency to annually "... report ... all ... surplus real property owned by it." As of January 1999, only 5 agencies (out of 34 which responded) reported any surplus property, consisting of 5 parcels totaling 120 acres.

The state's process for disposing of surplus property has been cumbersome, and new procedures do not provide for the on-going marketing and review of surplus property.

Some of these properties have conditions or problems which might inhibit their sale, such as reversion clauses, contamination, cemeteries, donor restrictions, and title disputes. State law governing the disposition of proceeds from the sale of land is not consistent. Although SC Code §11-9-650 requires that the proceeds from the sale of surplus property go into the state general fund, other laws allow agencies to retain these funds.

The value of much of the potentially surplus property is unknown.

Property is recorded at the price the agency paid at the time it was acquired (i.e., historical cost). This may not reflect the true value of the land, particularly if it was purchased a long time ago or was donated to the agency.

Land that sits unused, and has no foreseeable future use, is a waste of state assets.

This can create maintenance costs and liability risks for the state. When land is owned by the state, it is not available for local community growth or economic development, and is not part of the tax base.

We were able to identify 53 pieces of property as potentially surplus to agency needs.

In general, these parcels are either vacant, unused, or under-used. Using existing appraisals or information from county tax assessors' offices, we could find values for 40 of these parcels for a total of \$13.4 million.

While selling the properties may be the preferred method of disposal, other options exist that could result in higher and better use of the property.

- ❑ Donating the property to the city or county for public facilities.
- ❑ Leasing out the property until such time as it can be used or sold.
- ❑ Working with nonprofit, local redevelopment corporations to use the property for economic development.

RECOMMENDATIONS

We have reviewed individual aspects of real property management — land inventory, planning, acquisition, disposals, and titling — and have recommendations for improvement in each of these areas.

The General Assembly should consider enacting legislation to establish a stronger and more proactive real property management system for the state.

The General Assembly should consider amending South Carolina Code §1-11-58 to require that the Budget and Control Board maintain a complete inventory of all state-owned real property (with exemptions for the authorities and the SC Department of Transportation).

The General Assembly should consider enacting legislation for the titling of state-owned property, to require that all state-owned property be titled in the name of the state of South Carolina (with exemptions for the authorities, universities and colleges, and SCDOT).

The General Assembly should consider enacting legislation to require state agencies to develop land-use plans that address acquisition and disposal of property, co-location of state agency facilities, deferred maintenance, and the extent to which the state should lease versus own property.

The Budget and Control Board should establish a system for identifying and disposing of surplus property. The system should ensure that state-owned property is evaluated on a regular basis to determine if it is needed, and provide for ongoing marketing of surplus property so that property can be disposed of as quickly and efficiently as possible.

The General Assembly should consider enacting legislation to standardize how the proceeds from the sale of surplus property are to be used. If agencies are allowed to keep the proceeds, the legislation should require that they be used to fund capital improvements and other nonrecurring needs.

Surplus Properties Identified

We list 53 potentially surplus properties in our full report.

- 2.24 acres that is currently used as a parking lot for city public works employees and has an appraised value of \$535,000 (DMH plans to sell this land).
- The 1,500 acre Wedge Plantation owned by the University of South Carolina in Georgetown, which was appraised for \$1.9 million in 1990 and is currently leased to a private individual for hunting. A higher and better use of this property would be to turn it over to another agency for preservation.
- 91 acres owned by the Medical University of South Carolina in Ladson which is unimproved and in 1985 was appraised for \$557,000.
- A 4,416 square foot house owned by the Department of Corrections and used as the commissioner's residence with an estimated value of \$292,700.
- Tracts of unimproved land donated to USC by its supporters. Most of this land is outside the core campus, and USC currently has no plans for its use.
- The 245-acre Killian Recreation Park, owned by DMH in a high growth area of Richland County. Only 60 acres of the park are used for patients.
- The old Richland County maintenance facility owned by the SC Department of Transportation. The site has been vacant for 10 years, but SCDOT officials state that the site is contaminated and cannot be sold. The property was appraised at \$136,000, not taking into account possible contamination.
- 2.5 acres of unimproved land owned by the B&CB in Lexington County with an estimated value of \$50,000.
- Closed fish hatcheries owned by DNR, amounting to 15.5 acres in Dorchester County and 9.4 acres in Greenville County.
- 11.63 acres of unimproved land considered surplus since 1974, with an estimated value of \$174,000. This property may contain an old cemetery formerly used for mental health patients.
- 497 acres owned by the SC Forestry Commission in Oconee County, purchased in 1996 for \$394,000 for a forestry and environmental education center. It was not clear why SCFC needed to expand its programs in this area.

"BEST PRACTICES" FROM OTHER STATES

Other states have taken a stronger and more centralized view of real property management. Our full report lists some of the "best practices" from these states.

North Carolina has a fully computerized real property inventory with Internet access that links related information such as buildings, construction costs, and insurance value with each parcel of land. Visitors to its web site can call up reports showing any state-owned tract or building by county, department, or other categories. The system also has a geographic information capability which lets Internet clients click on a picture of the state map, zoom in a specific location, and obtain site maps and pictures of the buildings.

North Carolina also requires a more extensive justification of need when a state agency seeks to acquire land. The NC Department of Administration is required by law to investigate the existence of actual need for new property and the availability of land already owned by the state.

Texas created the asset management division in its General Land Office (GLO) in 1985 to evaluate the real property holdings of state agencies every four years, and to make

recommendations to the Legislature and Governor regarding their use and disposition. The Legislature's goal in creating the process was to inventory and evaluate all real property owned by the state and determine if the property was unused or underutilized. On September 1 of each year, the GLO develops a list of state agency properties it has identified as unused or underused. State agencies are allowed 60 days to submit a development plan for the property, and the Governor has 90 days to approve or disapprove the sale of land.

Virginia has created a "Governor's Commission on Surplus Property" to provide advice on the use of real property assets controlled by state agencies. In June 1997, the commission published a report recommending the establishment of a proactive real estate management stewardship program. It recommended the establishment of a Land Management and Stewardship Council (LMSC) with independent power similar to the armed forces Base Realignment and Closure Commission. The duties of the LMSC are to establish guidelines for ensuring the most efficient and effective use of state land and to develop criteria for determining if state-owned land is surplus.

LAND OWNERSHIP

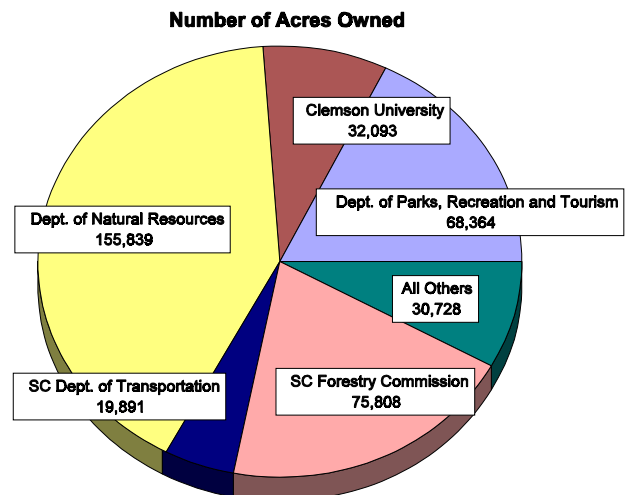
Surveys conducted by the Department of Natural Resources in 1986 and 1998 show that state-owned land, including the exempt agencies (authorities) and SCDOT rights-of-way, increased approximately 21% during this time.

In addition to owning land and buildings, the state also leases property. According to information provided by the B&CB, the number of leases between state agencies and private entities totaled 838 in FY 97-98. Total square footage of leased space has increased 16% since FY 89-90.

According to B&CB records, state agencies and universities own 8,415 buildings with a total of 57,634,124 square feet.

- ☐ Parks, Recreation and Tourism owns the most buildings, with 1,062.
- ☐ USC manages the most square footage of buildings, with 7,330,620 square feet.

Top Land-Owning State Agencies and Universities



Source: Budget and Control Board Land Inventory

This document summarizes our full report, *A Review of South Carolina's Management of State-Owned Land*. A full report of this and all LAC audits is available free of charge. Audit reports and agency information are also published on the Internet at www.state.sc.us/sclac. If you have questions, contact George L. Schroeder, Director.